
FMS Reinvention Within the Department of the Navy's Model for Continuing Process Improvement

By

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For more than two years, the U.S. security assistance community has been involved in an intensive effort to study how to improve customer satisfaction, reduce costs and improve processes. These efforts have been generally grouped under the umbrella of "reinvention" and are beginning to show some positive results, particularly in the area of improved service to our international customers. This article provides a brief synopsis of some of the major improvements achieved and addresses four areas where the Navy International Programs Office (IPO) and others within the Department of the Navy (DoN) are trying to effect "real change:"

- Reduction of Letter of Offer and Acceptance (LOA) processing times.
- Piloting "FMS Express."
- Employment of firm fixed price LOAs.
- Case closure.

Reduction of LOA Processing Times

The Navy International Programs Office customers have complained about the length of time that it takes to produce an LOA following the submission of a letter of request. In addition to the increased complexity of LOAs and releasability issues, Navy processing times had increased significantly due to several factors:

- The "learning curve" associated with shifting from the Navy Security Assistance Database System (NSADS) to the Defense Security Assistance Management System (DSAMS),
- Excessive DSAMS downtime, due to a variety of factors,
- Delays related to the physical relocation of Navy IPO from Crystal City, VA to the Nebraska Avenue Complex, Washington D.C., in July, 1999,
- The loss of key members of the LOA development team, due to the relocation,
- Additional workload caused by the immediate requirement to modify over 100 FMS cases, resulting from the reduction of the administrative surcharge from 3.0 per cent to 2.5 per cent.

These and other factors caused a tremendous surge in the backlog of Letters Of Acceptances (LOAs). In fact, processing times for LOAs peaked at 161 days in December 1999. Since that time the processing time has steadily improved. As of May 2000, the average processing time decreased to 84 days and the number of completed LOAs increased. A currently established goal of 80 percent of cases offered in 120 days was met by more than 74 percent of the cases processed

in May. Also, more cases (71) were processed in April than during any one of the previous six months. Throughout this period, the LOA backlog was aggressively worked, resulting in a return to the pre-DSAMS rate of completion. A contributing factor to this recovery was an increase in security assistance case development resources to eliminate the backlog created by last year's disruptions. Standard DoD metrics have been created and Navy metrics improved, with a strong emphasis being placed on the regular use of these metrics. The role of case management organizations in LOA development has been increased and higher level reviews on routine, non-controversial cases have been reduced. Also, newly created integrated product teams manage the resolution of issues and involve customers more directly in requirements definition in complex cases. Finally, as the understanding of DSAMS has improved, far less downtime is occurring. With continued examining and fine tuning of the LOA process, LOAs will be completed more quickly and efficiently in the future. To this end, DSAMS is being used to publish metrics within Navy international programs office regions as well as the system commands to ensure regular tracking of progress. In addition, Navy international program office is working closely with DSCA and the other services to revise the way LOA processing times are counted and ensure that these measures are consistent for all.

Piloting "FMS Express"

Once an LOA is signed and implemented, customers remain dissatisfied with the length of time that it takes to fill requisitions. Often requisitions cannot be filled from stock and must be placed on backorder. The Naval Inventory Control Point (NAVICP) has worked closely with DSCA to look at establishing a hybrid FMS/commercial sales program that has been dubbed "FMS Express." The program allows NAVICP to transfer procurement of out-of-stock, hard to fill requisitions to a commercial buying service. A pilot study using the Dutch, Norwegian, and Australian Navies is about to begin. The initial study will be limited to transactions below \$25,000. If successful, this limit could be increased. In the meantime, other efforts are also being made to work with the international customers to reduce requisitioning time. NAVICP is looking forward to reporting the results of this program as it matures.

Employing Firm Fixed Price (FFP) LOAs

National assemblies that govern international customers are requiring more and more information from the U.S. government/FMS community prior to making a purchase commitment. This information relates to a need to better understand the basis for the prices being charged in the LOA for articles and services. In conjunction with DSCA, the Navy is trying to lean as far forward as possible to provide its international customers with greater insight into the LOA development process, as well as the aspects of pricing.

Often times this entails a great deal of up-front effort by our international customer, industry and the U.S. government participant. However, it appears that this effort will lead to more beneficial results for all parties involved. Recently, Navy international program office finalized a firm fixed price (FFP) LOA for the Netherlands P-3 capabilities upgrade program and is working closely with Norway to develop a FFP LOA for the Aegis software for its new shipbuilding program. It has been found that not every LOA will lend itself to the FFP approach and a lessons learned database is being built to better understand how the process can be further improved in the future.

Closing Cases

The message is clear: closing cases is important to the foreign customers! With funding recovered, the international customers can move on to meet other requirements rather than wait endlessly for unused funds to be returned to them. The case closure study is now complete and the findings are being translated into an action plan with a simple mission: close cases!

For the past several years, 800 cases on average have been highlighted as “supply complete” for more than two years. The problem has been that while deliveries may have been made, proper reconciliation did not take place throughout the life of the case and many of these “supply complete” cases now require intensive reconciliation efforts before they can be forwarded to DFAS Denver for final closure. Navy IPO is undertaking measures to increase the number of cases closed on an annual basis from the 600 case level to 800 cases during FY2000. The measures include the following: publishing the case closure streamlining plan; providing quarterly status to leadership; assignment of a case closure czar to Navy IPO; production of a final curriculum for the Navy case closure course and assuming quota control for this measure; providing training. Also, Navy representatives are conducting quarterly closure meetings and working closely with DFAS and DSCA to identify cases that should be closed and identify systemic problems in other cases. Navy international program office will follow the December 1999 USD (Comptroller) memo on FMS administrative finances by making certain that financial reconciliation is done at least annually. That, along with definition of major cases, and development of a measure for unreconciled balances, will serve to interrupt the generation cycle of a case closure backlog. Thus far, Navy international program office is on track with 200 cases closed between January and March 2000!

Summary

Contrary to popular belief, reinvention is alive and well and continues to progress by moving from the study phase to the implementation phase. The Navy is working on many reinvention fronts simultaneously, and the establishment of the Navy International Program Office security assistance ombudsman will provide an advocate and additional information source for the FMS customer. The Navy International Program Office is also working with industry associations in formulating plans to establish “company days” whereby individual companies and Navy International Program Office will be able to hold frank and candid discussions as to how they can better work with one another. Additionally, a better framework is being established for better teaming under the TEAM USA concept. Inputs as to how we can improve our business practices are being solicited and encouraged from all stakeholders. Navy International Program Office is steadfast in its commitment to succeed in raising international customer satisfaction within FMS, through reinvention.

About the Author

Joseph Milligan has been the Deputy Director of the Security Assistance Navy International Programs Office since February 2000. Since 1989, Milligan has held a variety of positions within the security assistance, international policy/programs and disclosure communities. He is a commander in the Naval Reserve where he serves on the staff of the Naval Inspector General. He has been actively involved in Navy FMS reinvention efforts for more than two years.